

SENATE BUDGET COMMITTEE

KENT CONRAD, CHAIRMAN

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SENATE BUDGET COMMITTEE CHAIR SAYS NEW ECONOMIC DATA COULD DECREASE PROJECTED BUDGET SURPLUS Conrad: Bush Tax Cut Raises Likelihood of Medicare & Social Security Trust Fund Raid

Washington, DC - Senate Budget Committee Chairman Kent Conrad today said economic performance from the first six months of the year could reduce the size of the nation's projected budget surplus. Conrad's remarks came as the Senate Budget Committee heard from economists Martin Baily, William Dudley and Brian Wesbury at a hearing reassessing the U.S. economic outlook.

"The slowing of the economy in the first six months of this year is leading economists to revise downward their short-term growth forecasts; the collapse of investment is leading to a reassessment of prospects for long-term productivity growth. Each of these means smaller surpluses," said Conrad. "While the optimists among us can remain hopeful for a continued rosy projected budget surplus, we have an obligation to recognize the realities of our economy's performance and factor that into our budgetary decisions."

Throughout the consideration of the fiscal year 2002 budget resolution and again during debate over the tax cut, Conrad cautioned his colleagues about the uncertainty of projected surpluses. Conrad repeatedly noted the Congressional Budget Office's (CBO) own warning about the uncertainty of its projections in an effort to dissuade his colleagues from treating the projected surplus as money in the bank.

"Let the sluggish performance of our economy during the first half of 2001 serve as a wake-up call to those of us responsible for budget planning," said Conrad. "Congress, and particularly members of this committee, have an obligation and responsibility to take uncertainty seriously in our budget planing."

Conrad is keeping a close eye on economic performance and its impact on the projected surplus because the recently enacted tax cut eats up so much of the available surplus. According to Conrad's calculations, if one assumes the policies in the Republican-written budget resolution

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are enacted using CBO's May revised surplus figures, the Bush tax cut will result in a raid on the Medicare Trust Fund of \$5 billion in 2003 and \$4 billion in 2004. When one factors in the new defense request from the Administration, Conrad predicts the Medicare Trust Fund will be raided by \$88 billion between 2003 and 2007. Further still, if one were to add expected increases in education spending, as well as revised economic performance, Conrad predicts the Medicare and Social Security Trust Funds will be raided by \$257 billion and \$41 billion respectively over the next ten years.

“For months, I warned that the Bush tax cut was too big and would lead to raids in the trust funds forcing us back into the deficit ditch,” said Conrad. “With real economic data in hand and with an increasing likelihood of a reduced projected surplus, we will soon learn the hard way that the recently enacted tax cut was reckless at best, and irresponsible at worst.”

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